

AO 91 (Rev. 02/09) Criminal Complaint

United States District Court

for the

Western District of New York

United States of America

v.

Case No. 21-MJ- 4062

MARK PHILLIPS,

Defendant

CRIMINAL COMPLAINT

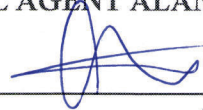
I, Alan Roth, Special Agent with the Internal Revenue Service-Criminal Investigation, the complainant in this case, state that the following is true to the best of my knowledge and belief:

Between in or about November 2020 and in or about April 2021, in the Western District of New York, the defendant did devise a scheme to commit money laundering in violation of Title 18, United States Code, Section 1956(a)(3)(B).

This Criminal Complaint is based on these facts:

SEE ATTACHED AFFIDAVIT OF IRS-CI SPECIAL AGENT ALAN ROTH.

☒ Continued on the attached sheet.



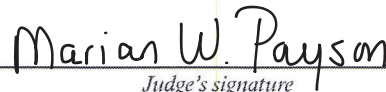
Complainant's signature

ALAN ROTH, Special Agent, IRS-CI

Printed name and title

Affidavit and Criminal Complaint submitted electronically by email in .pdf format. Oath administered, and contents and signature, attested to me as true and accurate telephonically pursuant to Fed.R.Crim. P. 4.1 and 4(d) on:

Date: May 5, 2021



Judge's signature

City and State: Rochester, New York

MARIAN W. PAYSON
UNITED STATES MAGISTRATE JUDGE

AFFIDAVIT IN SUPPORT OF CRIMINAL COMPLAINT

STATE OF NEW YORK)
COUNTY OF MONROE) ss.:
CITY OF ROCHESTER)

I, ALAN ROTH, being duly sworn, depose and say:

INTRODUCTION AND AGENT BACKGROUND

1. I am a Special Agent of Internal Revenue Service-Criminal Investigation (“IRS-CI”), having been duly appointed on January 20, 2008 and, as much, am a Federal Law Enforcement Officer within the meaning of Rule 41(a) of the Federal Rules of Criminal Procedure, that is, a Government agent engaged in the enforcement of the criminal laws of the United States. Your Affiant’s responsibilities include the investigation of possible criminal violations of the Internal Revenue Laws (Title 26, United States Code), the Bank Secrecy Act (Title 31, United States Code), the Money Laundering Control Act (Title 18, United States Code), and related offenses.

2. I received a Bachelor’s degree in Business Administration with a major in Finance. I received extensive training in financial investigative techniques and in the law of search and seizure under the Fourth Amendment, having undergone 26 weeks of training at the Federal Law Enforcement Training Center, and at several in-service training seminars dealing with financial investigative techniques and Money Laundering and Bank Secrecy Act violations.

3. During the course of my employment with IRS-CI, I have conducted and assisted on several criminal investigations involving tax fraud, money laundering and the

illegal structuring of financial transactions. These investigations focused on individuals deriving income from both legal and illegal sources.

4. This affidavit is being submitted for the purpose of establishing probable cause to believe that Mark Phillips (“PHILLIPS”) has committed violations of Title 18, United States Code, Section 1956(a)(3)(B) (money laundering) (“TARGET OFFENSE”).

5. The information contained in this affidavit is based upon my personal knowledge and observation, my training and experience, undercover operations conducted, conversations with and information from other law enforcement officers, and my review of documents and records related to this investigation.

6. Because this affidavit is being submitted for the limited purpose of establishing probable cause to secure a criminal complaint, I have not included each and every detail of the investigation. Rather, I have set for only those facts that I believe are necessary to establish probable cause that PHILLIPS committed the TARGET OFFENSE.

BACKGROUND ON VIRTUAL CURRENCY AND BITCOIN

7. “Virtual currency” (also known as “crypto-currency” or “digital currency”) is a digital representation of value that can be traded and functions as a medium of exchange; a unit of account; and/or a store of value, but does not have legal tender status in any jurisdiction. Virtual currency generally is not issued or guaranteed by any jurisdiction or government, and its value is decided by consensus within the community of users of the virtual currency. Virtual currency is not illegal in the United States and may be used for legitimate financial transactions. However, virtual currency is often used for conducting illegal transactions.

8. Virtual currency is distinct from "fiat currency," which is the money created and regulated by a government as its legal tender. The U.S. dollar is an example of a fiat currency. Virtual currencies may be traded on online exchanges for fiat currencies, including the U.S. dollar, or used to purchase goods and services.

9. Bitcoin is a type of virtual currency. Bitcoins are generated and controlled through computer software operating via a decentralized, peer-to-peer network. Bitcoin exist primarily as units of an Internet-based form of currency.

10. Individuals can acquire Bitcoins either by "mining" or by purchasing Bitcoins from other individuals or Bitcoin exchangers (*i.e.*, websites that allow individuals to purchase bitcoins for other currency). An individual can "mine" for Bitcoins by allowing his/her computing power to verify and record the Bitcoin payments into a public ledger. Individuals are rewarded for this by being given newly created Bitcoins. Bitcoin exchangers exchange fiat currency or other convertible virtual currencies for Bitcoin, or vice versa, based on a fluctuating exchange rate. The exchanger, usually for a commission, then either buys or sells the user bitcoin from the exchange's reserves or attempts to broker the purchase with another user who is trying to buy or sell bitcoin.

11. Bitcoins are stored in "digital wallets." A digital wallet essentially stores the access code that allows an individual to conduct Bitcoin transactions on the public ledger. Digital wallets can be in the form of desktop, mobile, and online wallets; hardware devices; and paper wallets. The desktop, mobile, and online application wallets are electronic in nature and can be stored on mobile devices (phones or tablets) or accessed through website-based wallets via a computer, tablet, or any device that can search the internet. Bitcoin wallets

can also be stored on external hardware wallets or removable media (such as USB thumb drives, Trezor, Ledger, *etc.*). Paper wallet keys are not stored digitally. Paper bitcoin wallets contain a bitcoin address and a QR code with the public and private key embedded in the code.¹ Bitcoin wallets can also be backed up onto paper printouts, USB drives, CDs and accessed through a “seed phrase” (random words strung together in a phrase) or a complex password. Additional security safeguards for Bitcoin wallets can include two-feature authorization (such as a password and a phrase).

12. An individual can send and receive Bitcoins through peer-to-peer digital transactions or by using a third-party broker. Such transactions can be done on any type of internet connected computer, including laptop computers and smart phones. Bitcoins are sent to and received from bitcoin "addresses." A bitcoin address is analogous to a bank account number and is represented as a 26-to-35 character-long case-sensitive string of letters and numbers. Each bitcoin address is controlled through the use of a unique corresponding private key, a cryptographic equivalent of a password or pin needed to access the address. Only the holder of the private key to an address can authorize the transfer of bitcoin from that address to other bitcoin addresses. A wallet can contain an unlimited number of addresses and enables the user to create new addresses, monitor the amount of Bitcoin per address, and authorize transactions using the private key.

13. Through the dark web or darknet, *i.e.*, websites accessible only through encrypted means, individuals have established online marketplaces, such as the Silk Road,

¹ A “QR code” is a matrix barcode that is a machine-readable optical label.

for narcotics and other illegal items.² These markets often only accept payment through virtual currencies, such as Bitcoin. Accordingly, large amounts of Bitcoin sales or purchases by any individual can be an indicator that the individual is involved in narcotics trafficking or the distribution of other illegal items. Individuals intending to purchase illegal items on Silk Road-like websites need to purchase or barter for Bitcoins. Further, individuals who have received Bitcoins as proceeds of illegal sales on Silk Road-like websites need to sell their Bitcoins to convert them to fiat (government-backed) currency.

14. Such purchases and sales are often facilitated by peer-to-peer Bitcoin exchangers, who are not registered with the federal or a state government, or by exchangers that offer a degree of anonymity. These unregistered exchangers often charge a higher transaction fee than legitimate, registered virtual currency exchangers who have robust anti money-laundering programs, including full customer verification.³ This higher fee is essentially a premium that the unregistered exchangers charge in return for not filing reports on exchanges pursuant to the Bank Secrecy Act, such as Currency Transaction Reports and suspicious Activity Reports. Peer-to-peer Bitcoin exchangers can conduct these transactions in person or through technology, such as cryptocurrency ATMs.

² The Silk Road was a darknet website operated as a TOR ("The Onion Router") hidden service. The Silk Road allowed its users to browse anonymously to purchase a variety of illegal goods, including controlled substances. Bitcoin was the form of payment accepted by the site. In 2013, the FBI shut down the website and arrested Ross William Ulbricht under charges of being the site's pseudonymous founder "Dread Pirate Roberts." In February 2015, Ulbricht was convicted on conspiracy, narcotics and money laundering charges in the Southern District of New York relating to the Silk Road and was sentenced on May 29, 2015, to life in prison. His conviction and sentence was affirmed by the Second Circuit Court of Appeals.

³ One of the largest U.S.-based (and registered) virtual currency exchanges, Coinbase, charges approximately 1 to 4% commission per transaction.

15. All Bitcoin transactions are recorded on a public ledger known as the “Blockchain,” stored on the peer-to-peer network on which the Bitcoin system operates. The Blockchain serves to prevent a user from spending the same Bitcoins more than once. However, the Blockchain only reflects the movement of funds between anonymous Bitcoin addresses and, therefore, cannot by itself be used to determine the identities of the persons involved in the transactions. Only if one knows the identities associated with each Bitcoin address involved in a set of transactions is it possible to meaningfully trace funds through the system. Bitcoin transactions are, therefore, described as “pseudonymous,” meaning they are partially anonymous.

DEFENDANT AND ASSOCIATED BUSINESSES

16. PHILLIPS is a resident of Rochester, New York. Financial records, records from other law enforcement agencies, surveillance, and statements made by PHILLIPS all place PHILLIPS at 114 ANNIE LANE.

17. Mission Critical Solutions, LLC (“MISSION CRITICAL SOLUTIONS”) is a limited liability company that was organized in New York on or about November 2, 2017. As detailed in this affidavit, PHILLIPS is the President, sole member, and controls the finances of MISSION CRITICAL SOLUTIONS.

18. Transactrade, LLC (“TRANSACTRADE”) is a limited liability company that was organized in Nevada on or about April 20, 2018. As detailed in this affidavit, PHILLIPS is one of the members, Chief Executive Officer, and controls the finances of TRANSACTRADE.

19. Transactrade DX, LLC (“TRANSACTRADE DX”) is a limited liability company that was organized in Delaware on or about November 14, 2019. As detailed in this affidavit, PHILLIPS is the sole member and controls the finances of TRANSACTRADE DX.

20. Infinite Technology Solutions, LLC (“INFINITE TECHNOLOGY SOLUTIONS”) is a limited liability company that was organized in Wyoming on or about July 15, 2020. As detailed in this affidavit, PHILLIPS organized this company and controls the finances of INFINITE TECHNOLOGY SOLUTIONS.

OVERVIEW OF THE SCHEME

21. From November 2020 through April 2021, law enforcement in an undercover capacity has been communicating and meeting with PHILLIPS. The law enforcement officer represented that he has Bitcoins that are proceeds of specified unlawful activity, namely distributing a controlled substance, in violation of Title 21, United States Code, Section 841, and identity theft, in violation of Title 18, United States Code, Section 1028. From on around about December 6, 2020 through April 29, 2021, law enforcement exchanged more than 7 Bitcoins worth over \$260,000 for cash with PHILLIPS, in violation of Title 18, United State Code, Section 1956(a)(3)(B).⁴

⁴ Unless otherwise specified, all references to “cash” in this affidavit refers to United States Currency.

UNDERCOVER OPERATIONS / BITCOIN FOR CASH EXCHANGES

22. On November 19, 2020, an IRS-CI Special Agent acting in an undercover capacity responded to an advertisement posted on Craigslist.⁵ The Craigslist post advertised the buying or selling of Bitcoin and other virtual currencies. The advertisement offers to “meet in person for instant and anonymous cash or bank wire transactions.” After an exchange of messages between the poster of the advertisement and an IRS-CI Special Agent, a WhatsApp message was started between the poster and a second IRS-CI Special Agent acting in an undercover capacity (“the UCA”).⁶

FIRST UNDERCOVER MEETING

23. On November 23, 2020, the UCA sent a WhatsApp message requesting a meeting and stated that the UCA wanted to sell Bitcoin. In response, the UCA received WhatsApp messages from account “+1 (813) 727-2011” with the name “Mark-Anthony/Tr”. A meeting was scheduled for November 24, 2020 in Rochester, New York.

24. On November 24, 2020, the UCA met with an individual later identified as PHILLIPS inside of a restaurant in Rochester, New York.⁷ PHILLIPS traveled to the meeting in a VOLKSWAGEN TIGUAN. The meeting was audio and video recorded.

⁵ Craigslist is an online service providing local classified and forums for jobs, housing, services, local community, and events.

⁶ WhatsApp is a service that allows users to send and receive messages using end-to-end encryption. WhatsApp runs on mobile devices or computers connected to the internet.

⁷ The individual introduced himself as “Mark-Anthony.” PHILLIPS’ full name is Mark Anthony Phillips.

25. PHILLIPS stated that he owns three businesses. PHILLIPS stated that he has been in business for approximately three years, and he maintains records for the business.

26. The UCA stated that he wants to exchange Bitcoin for cash and remain anonymous. The UCA stated that he does not want any forms filed with the government reporting the financial transactions. PHILLIPS stated that his fee to exchange the UCA's Bitcoin for cash is seven percent (7%). This fee includes a two percent (2%) premium for an anonymous cash transaction. Based upon my experience, your affiant knows that seven percent (7%) is a substantially higher fee than that charged by legitimate registered Bitcoin exchanges.⁸ In regard to the UCA's request for anonymity and not having government forms filed reporting the transactions, PHILLIPS stated that he does not care and does not want the UCA's Social Security number. PHILLIPS further stated, "I'm so off the radar, so there's no reason for you to be on the radar." and "Ain't nobody running to Uncle Sam any time soon."

27. PHILLIPS discussed the UCA using PHILLIPS to liquidate Bitcoin versus using a registered virtual currency exchange to preserve the UCA's privacy. PHILLIPS stated "... you want to stay under the radar. That's where guys like me come into place."

28. The UCA stated that he is a middleman for associates in Russia. The UCA stated that he wants the transactions to remain anonymous and that the UCA needs to conduct transactions so that the proceeds of the Bitcoin appear "clean" in the following exchange:

UCA: "...I'm trying to keep low, under the radar, just the type of clients I have."

⁸ For example, a service fee of between 1% and 4% is charged by the Bitcoin exchange Coinbase.

PHILLIPS: "I get it."

UCA: "The people I work with, you know what I'm saying?"

PHILLIPS: "I get it."

UCA: "We need legit places to go, you know what I'm saying? So, the money comes out clean..."

29. The UCA alluded that his Bitcoin are proceeds of illegal activity. The UCA and PHILLIPS discussed Silk Road. The UCA stated that similar marketplaces exist today and that is where the UCA obtains his money. PHILLIPS expressed that he is not concerned with the source of the UCA's Bitcoin, unless it relates to murder, prostitution, or children in the following exchange:

UCA: "We have really good computer people out there who can get into anybody's account, you know what I'm saying?"

PHILLIPS: "Yeah, I'm just like, listen, my thing is I have some hard no's."

UCA: "Yeah. There's no murders, no, none of that bullshit."

PHILLIPS: "No slavery."

UCA: "No slavery, no prostitution, no child stuff, nothing like that."

PHILLIPS: "You knew where I was going with that."

30. PHILLIPS was in possession of a mobile electronic device during the meeting. PHILLIPS stated that he prefers to communicate using WhatsApp and he does not like talking on the telephone. PHILLIPS confirmed that he can be contacted at WhatsApp account number "+1 (813) 727-2011.". PHILLIPS showed the screen of the mobile electronic device to the UCA on multiple occasions. PHILLIPS showed a business transaction log on

the mobile electronic device. PHILLIPS showed a \$500,000 transaction that PHILLIPS conducted with a client on the mobile electronic device. PHILLIPS also showed a photo of PHILLIPS and his partner on the mobile electronic device.

**SECOND UNDERCOVER MEETING AND
FIRST CONTROLLED EXCHANGE OF BITCOIN FOR CASH**

31. Prior to the meeting, the UCA and PHILLIPS exchanged messages via WhatsApp. On December 3, 2020, the UCA sent a message requesting a transaction to liquidate the UCA's Bitcoin. On December 6, 2020, the UCA sent a message stating he wanted to exchange Bitcoin for cash. PHILLIPS responded "I can not keep liquidations anonymous as we wire you the funds from the bank. CIS/KYC is mandatory for all bank wire transactions. I can however keep btc purchases anonymous when purchasing with cash."⁹ PHILLIPS sent a WhatsApp message with the wallet address for the UCA to send the Bitcoin. On December 6, 2020, using an internet connected mobile electronic device the UCA sent in interstate commerce 1 Bitcoin with a value of \$19,169 from a digital wallet at Coinomi to the wallet address provided by PHILLIPS.¹⁰ PHILLIPS confirmed receipt of the Bitcoin and provided a breakdown of his fee and the amount of cash that the UCA would receive via a WhatsApp message. PHILLIPS charged a fee of \$1,342 which is a seven percent (7%) fee. Again, based upon my experience, your affiant knows that this is a substantially higher fee than that charged by legitimate registered Bitcoin exchanges.

⁹ "Btc" is the abbreviation for Bitcoin.

¹⁰ Coinomi is a digital wallet for use with mobile and desktop computing devices connected to the internet. The Coinomi App or Coinomi software must be downloaded via the internet and installed on the computing device prior to conducting transactions.

32. The UCA and PHILLIPS arranged a face-to-face meeting for the UCA to receive cash from PHILLIPS for the previously transferred Bitcoin. On December 7, 2020, the UCA met with PHILLIPS outside and inside of a restaurant in Rochester, New York. PHILLIPS traveled to the meeting in the VOLKSWAGEN TIGUAN. The meeting was audio and video recorded.

33. PHILLIPS provided the UCA a box containing \$17,840 in cash in the parking lot of the restaurant. PHILLIPS conducted a “pat down” of the UCA’s body and then agreed to go inside the restaurant to speak.

34. PHILLIPS again expressed that he is not concerned with the source of the UCA’s Bitcoin, unless it relates to slavery, sex crimes, or sweatshops. The UCA stated that his Bitcoin comes from other stuff including “I.D.’s.” This is illustrated in the following exchange:

PHILLIPS: “...I don’t want anything to do with slavery or child sex shit, but as long as.”

UCA: “Yeah.”

PHILLIPS: “As long as we’re clear on that. As long as you’re not fucking running a sweatshop in fucking Malaysia.”

UCA: “No, I got morals too, man. But other stuff like, I mean like I.D.’s. We did all kinds of stuff, we did I.D.’s before, we did, whatever you want...”

35. PHILLIPS confirmed that he would not file any reports on the UCA for the Bitcoin for cash transaction that was conducted.

36. During the meeting, PHILLIPS left the restaurant and walked outside. PHILLIPS returned to the meeting with a mobile electronic device in his hand. As previously stated, PHILLIPS arrived at the meeting driving the VOLKSWAGEN TIGUAN.

37. PHILLIPS stated that he had to go to the bank. The VOLKSWAGEN TIGUAN was subsequently seen parked next to Canandaigua National Bank located at 2455 West Ridge Road, Rochester, New York. As detailed later, PHILLIPS has a bank account at Canandaigua National Bank.

**THIRD UNDERCOVER MEETING AND
SECOND CONTROLLED EXCHANGE OF BITCOIN FOR CASH**

38. Prior to the meeting, the UCA and PHILLIPS exchanged messages via WhatsApp. On December 9, 2020, the UCA sent a message requesting a transaction be conducted to exchange the UCA's Bitcoin for cash. PHILLIPS sent a WhatsApp message with the wallet address for the UCA to send the Bitcoin. On December 14, 2020, using an internet connected mobile electronic device the UCA sent in interstate commerce 2.6 Bitcoins with a value of \$49,683 from a digital wallet at Coinomi to the wallet address provided by PHILLIPS. PHILLIPS confirmed receipt of the Bitcoin and provided a breakdown of his fee and the amount of cash that the UCA would receive via a WhatsApp message. PHILLIPS charged a fee of \$3,975, which is an eight percent (8%) fee. This is higher than the seven percent (7%) fee previously charged by PHILLIPS. Again, based upon my experience, your affiant knows that this is a substantially higher fee than that charged by legitimate registered Bitcoin exchangers.

39. The UCA and PHILLIPS arranged a face-to-face meeting for the UCA to receive cash from PHILLIPS for the previously transferred Bitcoin. On December 15, 2020, the UCA met with PHILLIPS in the parking lot of a restaurant in Rochester, New York. PHILLIPS traveled to the meeting in the VOLKSWAGEN TIGUAN. The meeting was audio and video recorded.

40. PHILLIPS provided the UCA a box containing \$45,700 in cash. PHILLIPS expressed concern that the UCA may be law enforcement officer and stated “I’m making sure you’re not a cop.”

**FOURTH UNDERCOVER MEETING AND
THIRD CONTROLLED EXCHANGE OF BITCOIN FOR CASH**

41. Prior to the meeting, the UCA and PHILLIPS exchanged messages via WhatsApp. On January 24, 2021, the UCA sent a message requesting a transaction be conducted. PHILLIPS sent a WhatsApp message with the wallet address for the UCA to send the Bitcoin. On January 24, 2021, using an internet connected mobile electronic device UCA sent in interstate commerce 1 Bitcoin with a value of \$32,567 from a digital wallet at Edge to the wallet address provided by PHILLIPS.¹¹ PHILLIPS confirmed receipt of the Bitcoin and provided a breakdown of his fee and the amount of cash that the UCA would receive via a WhatsApp message. PHILLIPS charged a fee of \$3,256, which is a ten percent (10%) fee. This is higher than the seven percent (7%) and eight percent (8%) fees previously

¹¹ Edge is a digital wallet for use with mobile computing devices connected to the internet. The Edge App must be downloaded via the internet and installed on the mobile computing device prior to conducting transactions.

charged by PHILLIPS. Again, based upon my experience, your affiant knows that this is a substantially higher fee than that charged by legitimate registered Bitcoin exchanges.

42. The UCA and PHILLIPS arranged a face-to-face meeting for the UCA to receive cash from PHILLIPS for the previously transferred Bitcoin. On January 25, 2021, the UCA met with PHILLIPS inside of a restaurant in Rochester, New York. PHILLIPS traveled to the meeting in the GMC YUKON. The meeting was audio and video recorded. PHILLIPS provided the UCA \$29,310 in cash.

43. During the meeting, the UCA and PHILLIPS discussed their backgrounds in the following exchanges:

UCA: "...People won't notice from the outside. You know what I'm saying?"

PHILLIPS: "Notice what? That we both have, we both are in obscure spaces and do shady shit?"

UCA: "...I don't care, shady stuff you have. I don't care. I have shady stuff. I'm telling you right now, I have shady stuff..."

44. The UCA and PHILLIPS spoke explicitly that the UCA and his associates are involved in illegal activity in the following exchange:

UCA: "And my guys keep me busy from eastern Europe, Ukraine, Russia. I don't know if you know what I mean, but we do, I'll give you a little bit. I think I told you a little bit before. The guys I work with are big into the programmers, computer people, you know what I'm saying?"

PHILLIPS: "You hack."

UCA: "You know, I don't want to say the word, but you know...I don't want to get into the details, but my guys are working in eastern Europe..."

PHILLIPS: “You hack and destroy lives.”

45. The UCA and PHILLIPS further discussed the source of the UCA’s money and PHILLIPS’ willingness to continue to conduct financial transactions with the UCA’s Bitcoin in the following exchange:

UCA: “...we hack, we do, I don’t know, it’s for another time conversation, but you know. If I tell you, I don’t want you to say, okay we’re not going to meet again.

PHILLIPS: “Pavel [the UCA], with all due respect bro, I don’t give a shit, one. Two, it would make me feel more comfortable if you did, but I don’t care man.”

46. PHILLIPS made statements regarding other individuals that he conducts business with by stating “A couple people in my family, they know I have some questionable clients, and they are like how do you feel comfortable <unintelligible> I don’t fucking rip them off, and we’re cool. I execute. We have an agreement and we settle it.” PHILLIPS further stated, “Every Friday I have anywhere between one hundred and two hundred thousand dollars in cash.”

47. During the meeting, PHILLIPS was in possession of a mobile electronic device. PHILLIPS sent the UCA a WhatsApp message listing the information that PHILLIPS would need if future transactions were conducted via bank wire. The required information included:

“Name of client”
“SSN”
“Address”
“EIN number/Tax ID”
“Valid ID or Passport”
“EIN/Tax ID Certificate”
“Articles of Incorporation”

PHILLIPS did not require the UCA to provide any of this information. As detailed later in this affidavit, PHILLIPS continued to conduct Bitcoin for cash transactions with the UCA without obtaining identifying information from the UCA.

48. The UCA reaffirmed his desire to conduct the Bitcoin exchanges in cash versus bank wires to remain anonymous. PHILLIPS responded, "It's cash, it's anonymity."

**FIFTH UNDERCOVER MEETING AND
FOURTH CONTROLLED EXCHANGE OF BITCOIN FOR CASH**

49. Prior to the meeting, the UCA and PHILLIPS exchanged messages via WhatsApp. On March 1, 2021, the UCA sent a message to PHILLIPS requesting an exchange of Bitcoin for cash. On March 7, 2021, PHILLIPS sent a WhatsApp message with the wallet address for the UCA to send the Bitcoin. On March 8, 2021, using an internet connected mobile electronic device UCA sent in interstate commerce 1.525 Bitcoins with a value of \$78,672 from a digital wallet at Edge to the wallet address provided by PHILLIPS. PHILLIPS confirmed receipt of the Bitcoin and provided a breakdown of his fee and the amount of cash that the UCA would receive via a WhatsApp message. PHILLIPS charged a fee of \$7,867, which is a ten percent (10%) fee. Again, based upon my experience, your affiant knows that this is a substantially higher fee than that charged by legitimate registered Bitcoin exchangers.

50. The UCA and PHILLIPS arranged a face-to-face meeting for the UCA to receive cash from PHILLIPS for the previously transferred Bitcoin. On March 11, 2021, the UCA met with PHILLIPS in the parking lot of a restaurant in Rochester, New York. The meeting was audio and video recorded. PHILLIPS traveled to the meeting in the

VOLKSWAGEN TIGUAN. PHILLIPS provided the UCA a box containing \$70,803 in cash.

UNDERCOVER TELEPHONE CONVERSATION – APRIL 13, 2021

51. On April 13, 2021, the UCA called PHILLIPS at telephone number (813) 727-2011. The conversation was audio recorded.

52. PHILLIPS and the UCA discussed future Bitcoin for cash transactions. PHILLIPS alluded that he maintains the cash for the transactions at his home and stated "...I have a safe in my home. I have everything, obviously I have different wallets for coin. I'm set up for this. This is what I do every day."

53. The UCA represented that the Bitcoin being exchanged with PHILLIPS are proceeds of illegal activity, specifically selling cocaine. The UCA expressed concern that his illegal activities would be revealed to law enforcement. The UCA and PHILLIPS had the following exchange:

UCA: "...we just do business together, you know, you give me cash when I needed coin, but I did mention to you where my coin comes from, like I still want to say I don't. Say something happens, I don't know what happens, I don't even know who you are, I don't want to be set up or something, you know what I'm saying? Because my money comes from, I'll say it, it comes from dirty sources, comes from, you know, we do all kinds of things, as I told you, we sell information, we sell cocaine, we sell all kinds of stuff, and I don't want to get in trouble by, you know, by you telling somebody about me later..."

PHILLIPS: "...just like you man, I got secrets too."

54. PHILLIPS again stated that he is not concerned with the source of the UCA's Bitcoin unless it involves children. The UCA again explicitly stated that the UCA's money

comes from selling cocaine and computer hacking. This is illustrated in the following exchanges:

PHILLIPS: "What you do is your business, bro, I got no business in that."

UCA: "Yeah."

PHILLIPS: "You say you do this; you do that. So far you haven't said anything that makes me not want to fuck with you. When it comes down to like selling children, that's when I have a problem with it."

UCA: "Okay."

PHILLIPS: "Pretty much anything beyond that, within reason, I don't give a shit."

PHILLIPS: "Do I know everything that Pavel [the UCA] has his hands in? No, I don't. Do I care? I don't give a shit."

UCA: "My main thing is like I said, you don't turn me in any way. I told you a little more than I should have probably..."

PHILLIPS: "Bro, listen man, man I don't give a shit about that...Again like I have a hard stop when it comes to trafficking children, I'm not into that shit."

UCA: "Okay."

PHILLIPS: "That's, that's, if you do it, just don't tell me about."

UCA: "No."

PHILLIPS: "You know what I'm saying?"

UCA: No, we shouldn't worry about that part. It's not children. Drugs, cocaine, drugs, I mean hacking, if you don't mind that stuff. But I mean there's more stuff, I'm not going to go all the way to tell you, but you know, it's no children, don't worry about that part.

PHILLIPS: “Yeah, yeah, and again Pavel [the UCA], it's none of my fucking business, bro.”

55. PHILLIPS indicated that he is involved in other activities by stating, “I keep the things that I do got to hide, I keep at a distance...The questionable businesses that I'm involved in, I handle them from a distance. I don't get my hands dirty.”

**SIXTH UNDERCOVER MEETING AND
FIFTH CONTROLLED EXCHANGE OF BITCOIN FOR CASH**

56. Prior to the meeting, the UCA and PHILLIPS exchanged messages via WhatsApp. On April 21, 2021, the UCA sent a message to PHILLIPS requesting an exchange of Bitcoin for cash. PHILLIPS sent a WhatsApp message with the wallet address for the UCA to send the Bitcoin. On April 24, 2021, using an internet connected mobile electronic device UCA sent in interstate commerce 1.9 Bitcoins from a digital wallet at Edge to the wallet address provided by PHILLIPS. PHILLIPS confirmed receipt of the Bitcoin. PHILLIPS stated that he liquidated 1.6 Bitcoins with a value of \$86,647 and provided a breakdown of his fee and the amount of cash that the UCA would receive via a WhatsApp message. PHILLIPS stated the he would liquidate the remaining Bitcoin at a later date. PHILLIPS charged a fee of \$6,065, which is a seven percent (7%) fee. Again, based upon my experience, your affiant knows that this is a substantially higher fee than that charged by legitimate registered Bitcoin exchangers.

57. The UCA and PHILLIPS arranged a face-to-face meeting for the UCA to receive cash from PHILLIPS for the previously transferred Bitcoin. On April 29, 2021, the UCA met with PHILLIPS at PHILLIPS' home located at 114 ANNIE LANE. PHILLIPS provided the UCA a bag containing \$80,480 in cash.

58. PHILLIPS used his mobile electronic device to send WhatsApp messages to the UCA and transfer the UCA's unliquidated Bitcoin to a wallet address provided by the UCA during the meeting. PHILLIPS periodically used a laptop computer during the meeting. PHILLIPS indicated that he has a safe at 114 ANNIE LANE.

59. PHILLIPS stated he owns two companies, TRANSACTRADE and INFINITE TECHNOLOGY SOLUTIONS. PHILLIPS stated that his office used to be on "Wall Street." PHILLIPS stated that he had just finished having a meeting with his employee at 114 ANNIE LANE.

60. The UCA represented that the Bitcoin being exchanged with PHILLIPS is proceeds of specified unlawful activity, namely distributing a controlled substance, in violation of Title 21, United States Code, Section 841, and identity theft, in violation of Title 18, United States Code, Section 1028. This is illustrated in the following exchanges:

UCA: "If you don't give a shit that my money comes from like."

PHILLIPS: "Bro, I don't"

UCA: "Social Security Numbers or fricking coke, you know what I mean?"¹²

61. PHILLIPS confirms that he knows that the UCA sells cocaine. PHILLIPS stated he is interested in purchasing "blow" from the UCA. PHILLIPS inquired about the price for "quarter key."

¹² During the April 13, 2021 telephone call, the UCA stated that he obtains his money, in part, from selling cocaine.

62. A female arrived at 114 ANNIE LANE during the meeting. PHILLIPS stated that the female is his wife and told the UCA that the female's name is Rachel.¹³ PHILLIPS made the following statement to the female, "Pavel's [the UCA] worried that I'm concerned about him selling cocaine and hacking people and shit." This shows that PHILLIPS believes that the UCA's Bitcoin represents proceeds of illegal activity, namely selling cocaine and computer hacking.

63. The UCA and PHILLIPS had a conversation regarding the UCA and his associates committing identity theft, in violation of Title 18, United States Code, Section 1028, to obtain fraudulent loans in the following exchange:

UCA: "...he's asked me for help, you know what I mean, or my people, but anyway, the main thing is there's a way to hack those E.I.N.s¹⁴, steal the information, whatever I don't like to use that word but."

PHILLIPS: "Terrible word to use."

UCA: "Yeah. What's a good word instead of steal?"

PHILLIPS: "Acquire."

UCA: "Acquire the information, personal information, Social Security, date of birth, all that bullshit."

PHILLIPS; "Access."

UCA: "Access."

PHILLIPS: "Acquire and access."

¹³ The 2016 VOLKSWAGEN TIGUAN and 2017 GMC YUKON are registered in the name of Rachel M. Prophet at 114 ANNIE LANE.

¹⁴ E.I.N. is abbreviation for Employer Identification Number.

UCA: “Acquire and access, legally or not, but you know, whatever.”

PHILLIPS: “Leave that part of out of it. Less is more, Pavel [the UCA]. Less is more.”

PHILLIPS: “Use the information.”

UCA: “Not to steal money, to make money.”

64. The UCA made statements representing that that the UCA’s Bitcoins are proceeds of specified unlawful activity, namely identity theft, in violation of Title 18, United States Code, Section 1028. PHILLIPS again stated that he is not concerned about the source of the UCA’s Bitcoin unless it relates to human trafficking or crimes against children. This is illustrated in the following exchange:

UCA: “My money comes from hacking, fricking stealing, not stealing, let’s do <unintelligible>.”

PHILLIPS: “Acquiring.”

UCA: “Acquiring peoples’ identities.”

PHILLIPS: “I’ll work with you on your language.”

UCA: “I just want to be clear, you know, comes from acquiring fricking identities, identities, Social Security numbers...”

PHILLIPS: “I told you, I have a hard stop at human trafficking.”

UCA: “Human trafficking.”

PHILLIPS: “Yeah, I’m just not into it. I mean, I don’t care about adults, but kids, no kids.

UCA: “That’s horrible, you think that’s going on in the border now?”

PHILLIPS: “Yeah, bro.”

UCA: “No, I’m not into that stuff <unintelligible> that’s horrible, that’s horrible.”

PHILLIPS: “Yeah, I mean, listen, well so, human trafficking also counts as like sex slaves.

UCA: “Sex slaves.”

PHILLIPS: “But that’s prostitution. That’s a really bad term for prostitution. I don’t give a shit about prostitution. I just, I’m not into kids. Just leave kids alone. <unintelligible>. If you are, don’t tell me.”

UCA: “I’m not, no, don’t worry about that part. That stuff is not my thing.”

65. PHILLIPS stated he has a consistent source of cash, between \$100,000 and \$130,000 per week, and PHILLIPS needs to exchange that cash for Bitcoin. PHILLIPS stated that he picks up cash for the “Colombians” every week. PHILLIPS described the process as “...boom, go in, confirm count, I’m out. Same mother fucking person.”

66. The UCA asked PHILLIPS “Why would you want to dirty yourself up with my money, man?” PHILLIPS responded that he needs the UCA’s Bitcoin because PHILLIPS cannot deposit the cash he picks up into a bank account.

67. PHILLIPS stated his prior arrangement to convert cash is no longer available and needs the UCA to conduct more Bitcoin for cash transactions with PHILLIPS. PHILLIPS stated that he cannot put cash into a bank account because “Banks don’t like cash. They don’t like large sums of cash.” PHILLIPS stated that he previously dealt with a company that accepted cash from individuals in the cannabis industry. PHILLIPS stated he had an arrangement where he would deposit cash to this company’s bank account, and then the funds would be subsequently wired to PHILLIPS. PHILLIPS described that company’s

operations as a “fucking legal washing money fucking operation.” PHILLIPS stated the owner of that company could no longer accept cash from PHILLIPS because the banks closed the company’s accounts. The UCA questioned why the banks would not accept that company’s cash and PHILLIPS stated “...there’s no legit way to wash money.”

68. PHILLIPS believed the UCA’s Bitcoin represented proceeds of specified unlawful activity, namely distributing a controlled substance, in violation of Title 21, United States Code, Section 841, and identity theft, in violation of Title 18, United States Code, Section 1028. PHILLIPS conducted financial transactions with the UCA’s Bitcoin in violation of Title 18, United States Code, Section 1956(a)(3)(B).

PODCAST FEATURING INTERVIEW WITH PHILLIPS – MARCH 21, 2021

69. Startup Street Corner Launch Podcast (“Corner Launch”) is advertised as a show focused on entrepreneurship, small business, and startups. Corner Launch is filmed in Tampa, Florida. The audio and video of the show is posted to the internet. The March 21, 2021 episode of Corner Launch featured an in-person interview with PHILLIPS.

70. PHILLIPS was introduced as being with TRANSACTRADE. PHILLIPS also stated that he is starting a new company, INFINITE TECHNOLOGY SOLUTIONS.

71. During the show PHILLIPS made statements regarding compliance issues related to Bitcoin companies:

“...I don’t think anyone is worried about what Mark Anthony at TRANSACTRADE is doing. They’re worried about the big boys.”

“...we stay within the lines of compliance, regulation, and the reason why we do that because that’s the right thing to do. So, every client that we interact with whether it be a broker, whether it be a customer, whether it be a bank, we require a full K.Y.C., that’s a Know Your Client, they do that by filling out a C.I.S. application. That’s a

Customer Information Sheet, with supporting documents, of course, so Articles of Incorporation, E.I.N. certificate. We have, we put all of our people, those people in a database to make sure they're not terrorists, or doing bad things, like selling children, or list of bad things. So, everyone that we work with goes through a relatively rigorous onboarding process. So, first of all, we don't want to work with people who are doing illegal activity..."

72. As previously detailed, PHILLIPS conducted financial transactions with the UCA and acknowledged that PHILLIPS only knew the name of the UCA. Statements made during the undercover meetings and telephone calls show that PHILLIPS believed that he was conducting financial transactions with Bitcoin represented as being proceeds of specified unlawful activity.

73. A mobile electronic device is visible is in front of PHILLIPS during the show. PHILLIPS picks up the mobile electric device and shows the screen to the hosts while talking about PHILLIPS' virtual currency holdings. PHILLIPS stated that people can reach him at telephone 813-727-2011.

DELAWARE DIVISION OF CORPORATION RECORDS

74. Records obtained from Delaware Division of Corporations report that TRANSACTRADE DX was organized in Delaware on or about November 14, 2019.

NEVADA SECRETARY OF STATE RECORDS

75. Records obtained from Nevada Secretary of State report that TRANSACTRADE was organized in Nevada on or about April 20, 2018. The records report that TRANSACTRADE has a status of "revoked." The records report that PHILLIPS at 1861 Mulford Avenue, #2, Bronx, New York 10461 ("1861 Mulford Avenue") and B.C. are

managing members. Your affiant believes that 1861 Mulford Avenue is a prior address of PHILLIPS and that PHILLIPS presently resides at 114 ANNIE LANE.

NEW YORK DEPARTMENT OF STATE RECORDS

76. Records obtained from New York Department of State report that MISSION CRITICAL SOLUTIONS is an active company that was organized in New York on or about November 2, 2017. The address 406 Peck Road, Spencerport, New York 14559 (“406 Peck Road”) is associated with MISSION CRITICAL SOLUTIONS. Your affiant believes that 406 Peck Road is a prior address of PHILLIPS and that PHILLIPS presently resides at 114 ANNIE LANE.

WYOMING SECRETARY OF STATE RECORDS

77. Records obtained from Wyoming Secretary of State report that INFINITE TECHNOLOGY SOLUTIONS is an active company that was organized in Wyoming on or about July 15, 2020. INFINITE TECHNOLOGY SOLUTIONS list its mailing address and its principal address as 114 ANNIE LANE. PHILLIPS with an address at 114 ANNIE LANE is reported as the Organizer of INFINITE TECHNOLOGY SOLUTIONS.

FINANCIAL INFORMATION

78. Pursuant to subpoenas, law enforcement obtained records from various financial institutions regarding accounts held or controlled by PHILLIPS. Records were obtained from Canandaigua National Bank and Trust (“Canandaigua National”), JPMorgan Chase Bank, N.A. (“JPMorgan”), M&T Bank, and TD Bank, N.A. (“TD Bank”). The records show that from January 2019 through July 2020, over \$1.9 million in cash has been

deposited to bank accounts controlled by PHILLIPS. A large percentage of that money was subsequently transferred to a virtual currency exchange based out of Canada.

CANANDAIGUA NATIONAL x1962 – PHILLIPS

79. Records obtained from Canandaigua National report that account number x1962 was opened in the name of PHILLIPS on or about February 20, 2020. PHILLIPS is the sole signer on account number x1962. The signature card and statements report PHILLIPS' address as 114 ANNIE LANE. On or about December 7, 2020, an Official Check was purchased using funds from account number x1962. The Official Check is made payable to Larkin Creek and "114" is reported on the memo line of the check. 114 ANNIE LANE is part of Larkin Creek Luxury Apartments complex.

CANANDAIGUA NATIONAL x4622 – TRANSACTRADE DX

80. Records obtained from Canandaigua National report that account number x4622 was opened in the name of TRANSACTRADE DX on around March 2, 2020 was closed on or about July 17, 2020. PHILLIPS is the soler signer on account x4622, and the records report PHILLIPS' title as "Sole Member." The signature card and statements report TRANSACTRADE DX's address as 114 ANNIE LANE.

81. The records report that between April 2020 and the account closure on or about July 17, 2020, at least \$974,453 in cash was deposited to account number x4622. During the same period at least \$960,703 was wired from account number x4622 to Coinsmart.¹⁵

¹⁵ Simply Digital Technologies, Inc. does business under the name Coinsmart. Coinsmart is a virtual currency exchange based in Canada.

M&T BANK x4634 – INFINITE TECHNOLOGY SOLUTIONS

82. Records obtained from M&T Bank report that account number x4634 was opened in the name of INFINITE TECHNOLOGY SOLUTIONS on or about July 17, 2020. PHILLIPS with an address at 114 ANNIE LANE is the sole signer on account number x4634. The signature card and statements for account number x4634 report INFINITE TECHNOLOGY SOLUTION's address is 114 ANNIE LANE.

83. The records report minimal transactions in account number x4634 except for two (2) transactions during July 2020. On or about July 20, 2020, \$140,000 in cash was deposited to account number x4634. On or about July 24, 2020, an Official Check was purchased using funds from account number x4634. The Official check is made payable to Simply Digital Technologies Inc.¹⁶

TD BANK x6247 – PHILLIPS

84. Records obtained from TD Bank report that account number x6247 was opened in the name of PHILLIPS on or about January 19, 2019 and was closed on or about February 27, 2020. PHILLIPS is the sole signer on account number x6247. The statements for account number x6247 report PHILLIPS' address as 1861 Mulford Avenue from the account opening on or about January 19, 2019 to August 17, 2019. The statements report PHILLIPS' address as 406 Peck Road from August 18, 2019 to October 17, 2019. The statements report PHILLIPS' address as 114 ANNIE LANE from October 18, 2019 to the account closure on or about February 27, 2020.

¹⁶ Simply Digital Technologies, Inc. does business under the name Coinsmart. Coinsmart is a virtual currency exchange based in Canada.

TD BANK x0301 – TRANSACTRADE

85. Records obtained from TD Bank report that account number x0301 was opened in the name of TRANSACTRADE on or about November 13, 2019 and was closed on or about February 27, 2020. PHILLIPS is the sole signer on account number x0301, and the records reports PHILLIPS' title as "CEO." The records further report that PHILLIPS is 41% owner of TRANSACTRADE. The signature card and statements for account number x0301 report TRANSACTRADE's address is 99 Wall Street, Suite 2021, New York, New York 10005 ("99 Wall Street"). A Certification Regarding Beneficial Owners of Legal Entity Customers form was provided by TD Bank and reports that PHILLIPS' address is 114 ANNIE LANE. Your affiant believes that 99 Wall Street is a prior address used by PHILLIPS. PHILLIPS told the UCA on April 29, 2021 that PHILLIPS previously had an office on "Wall Street."

TD BANK x6263 – MISSION CRITICAL SOLUTIONS

86. Records obtained from TD Bank report that account number x6263 was opened in the name of MISSION CRITICAL SOLUTIONS on or about January 5, 2019 and was closed on or about June 30, 2020. PHILLIPS is the sole signer on account number x6263, and the records report PHILLIPS' title as "President" and that PHILLIPS is the sole member and sole owner of MISSION CRITICAL SOLUTIONS. The signature card and statements for account number x6263 report MISSION CRITICAL SOLUTIONS' address as 1861 Mulford Avenue. Your affiant believes that 1861 Mulford Avenue is a prior address of PHILLIPS and that PHILLIPS presently resides at 114 ANNIE LANE.

87. The records report that between January 2019 and February 2020, at least \$792,112 in cash was deposited to account number x6263.

JPMORGAN x6515 – PHILLIPS / RACHEL PROPHET / S.P.

88. Records obtained from JPMorgan report that account number x6515 was opened in the name of PHILLIPS or Rachel Prophet on about January 31, 2015.¹⁷ S.P. was added as a signer on or about June 18, 2016. The statements for account number x6515 report an address of 1861 Mulford Avenue from at least December 28, 2016 to May 24, 2019. The statements report an address of 160 Long Pond Road, Rochester, New York 14612 from May 25, 2019 to August 26, 2019. The statements report an address of 114 ANNIE LANE from August 27, 2019 to the account closure on or about February 11, 2020.

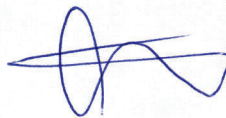
JPMORGAN x8716 – MISSION CRITICAL SOLUTIONS

89. Records obtained from JPMorgan report that account number x8716 was opened in the name of MISSION CRITICAL SOLUTIONS on or about January 22, 2018 and was closed on or about January 26, 2018. PHILLIPS is the sole signer on account x8716 and the records reports PHILLIPS' title as "Member." The signature card reports MISSION CRITICAL SOLUTION's address as 406 Peck Road, Spencerport, New York 14559. The statements report an address of 1861 Mulford Avenue. Your affiant believes that 1861 Mulford Avenue and 406 Peck Road are prior addresses of PHILLIPS and that PHILLIPS presently resides at 114 ANNIE LANE.

¹⁷ The 2016 VOLKSWAGEN TIGUAN and 2017 GMC YUKON are registered in the name of Rachel M. Prophet at 114 ANNIE LANE.

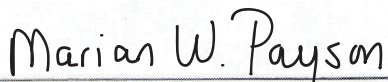
CONCLUSION

90. Based on the forgoing, the undersigned respectfully submits that there is probable cause to believe that PHILLIPS committed the TARGET OFFENSE.



ALAN ROTH
Special Agent
Internal Revenue Service

Affidavit submitted electronically by email in .pdf format. Oath administered, and contents and signature, attested to me as true and accurate telephonically pursuant to Fed. R. Crim. P. 4.1 and 4(d) on this 5 day of May, 2021.



MARIAN W. PAYSON
United States Magistrate Judge